

EmBRACE 2nd Call for MSEs

QUESTIONS & ANSWERS

The aim of this document is to provide general guidance on the implementation of the EmBRACE project, and should be read in combination with:

- Guidelines for MSEs as Final Recipients

1.1. **Question:** Can a flat-rate trade business (flat-rate craft; sole proprietorship subject to lump sum taxation) apply for the Public call for micro and small entrepreneurs within the EmBRACE project?

1.1. **Answer:** Crafts are acceptable if they are eligible according to the given eligibility criteria in the Guidelines for MSEs as Final Recipients with regards to professional and financial background.

1.2. **Question:** The partnership proposal we are considering includes 2 IT companies, one from Croatia and the other from Bosnia and Herzegovina, both of which formally meet all the conditions set out in Article 2.2 of the SME Guidelines.

However, these are companies owned by 2 brothers, one residing in Croatia, the other in Bosnia and Herzegovina, and they have direct cooperation in regular business on programming, where the Croatian partner develops and delivers software to the German market, and the Bosnian partner directs most of its programming resources to the same subject of joint development.

Question: does the cooperation of such 2 partners (who intend to apply for the public call together with a completely independent Montenegrin partner) represent effective cooperation on a new joint project, or does it represent a conflict of interest?

1.2. **Answer:** In case they meet all the conditions prescribed in point 2. Guidelines for MSEs as Final Recipients 2nd Call, the above partnership proposal is acceptable regardless of the blood relationship of the company owners. We emphasize that in case the companies are partner or affiliated companies, they cannot be approved beneficiaries within the same Small Project. Also, a conflict of interest in terms of relationship would relate to the procurement procedures, and not to the partnership in the project itself.

We note that the review of the documentation, as well as the eligibility of the partnership and costs, will be carried out and determined during the evaluation of the project application.

1.3. **Question:** I have one question, please. In the call *Guidelines for MSEs as Final Recipients 2nd Call "EmBRACE"*, you stated that the eligible programme area is Zagreb County. We have a partner with whom we would like to start a project, but their headquarters is located in the City of Zagreb. Is this company eligible under the terms of this call?

1.3. **Answer:** According to the *Guidelines for MSEs as Final Recipients 2nd Call “EmBRACE” (Enhancing MSEs sustainaBle gRowth And CompEtitiveness)*, Interreg VI-A IPA Croatia – Bosnia and Herzegovina – Montenegro 2021–2027 Programme, each small project applicant must have its headquarters or a branch and must have been operating in the programme area for at least one year prior to the date of submission of the small project application.

In Chapter 2.2.2 *Geographic eligibility rules*, it is stated that Zagreb County is one of the eligible programme areas, while the City of Zagreb is not an eligible area.

1.4. **Question:** Please provide additional clarification. Is a partner who reported a negative business result in the last year (2024) eligible?

1.4. **Answer:** In the document *“Guidelines for MSEs as Final Recipients – 2nd Call ‘EmBRACE’ (Enhancing MSEs sustainaBle gRowth And CompEtitiveness)”* within the *Interreg VI-A IPA Croatia – Bosnia and Herzegovina – Montenegro 2021–2027* programme, Chapter 2.2.3 Professional and financial background states:

“FR’s equity is positive for the last closed business year for seat and/or branch in the Programme area.”

While Chapter 3.6 Exclusion criteria states:

“FRs cannot receive funding if one or more of the following cases apply to them: Their business is in a difficult situation (according to COMMISSION REGULATION (EU) No 651/2014 of 17 June 2014).”

This means that a negative business result in the last year by itself does not automatically exclude the partner’s eligibility, provided that:

- the partner still has positive equity for the last closed business year, and
- the company is not an undertaking in difficulty within the meaning of Commission Regulation (EU) No 651/2014.

If the negative result causes the equity to become negative or the company meets the criteria of an “undertaking in difficulty,” the partner is not eligible.

1.5. **Question:**

- Could you please clarify what specific roles partners from Croatia and Montenegro can have in the project proposal in the case where the applicant company is from Bosnia and Herzegovina?

- Is it necessary for the partners from Croatia/Montenegro to operate in the same business sector as the company from Bosnia and Herzegovina, or is it sufficient that they are connected through a joint activity/innovation, even if their business activities are not identical?
- How is the project lead usually defined – does it have to be a company from Croatia (an EU Member State), or can it be a company from Bosnia and Herzegovina with a partner from Croatia?
- Are the following types of activities allowed: a company from Bosnia and Herzegovina (construction/investment) + a company from Croatia (services/IT) + possibly a company from Montenegro (logistics/marketing) – if together they develop an innovative service for the construction sector to be applied in the cross-border area?
- How is the allocation of funds between partners and countries defined – is it divided equally, approximately 33% (for three partners) or 50% (for two partners)?

1.5. Answer:

- EmBRACE (Enhancing MSEs sustainaBle gRowth And CompEtitiveness) is a pilot project that finances cooperation between micro and small enterprises in the cross-border area of Croatia – Bosnia and Herzegovina – Montenegro under the Interreg VI-A IPA Programme Croatia – Bosnia and Herzegovina – Montenegro 2021–2027, aiming to improve the competitiveness of micro and small enterprises (MSEs).

The Final Recipients (FRs) are micro and small enterprises, and each Small Project (SP) must consist of at least two (2) Final Recipients from different countries participating in the Programme area, with one partner required to be from an EU Member State (Croatia). It is important to note that cooperation among partners from all three (3) countries in the Programme area is awarded an additional 5 points. The maximum number of Final Recipients per project is three (3) partners.

- Within the Small Projects, the emphasis is on cooperation among micro and small enterprises in the cross-border area of Croatia – Bosnia and Herzegovina – Montenegro. It is not required that partners operate in identical sectors; however, eligible business cooperation activities within the SP should belong to NACE codes representing the target economic sectors of the EmBRACE project, as listed in Chapter 3.7 “Eligible activities” of the *Guidelines for MSEs as Final Recipients – 2nd Call*.
- The EmBRACE project does not define a main project lead, and all partners must equally participate in project implementation (e.g., during the implementation phase, each partner submits its own periodic report, and after certification, the approved funds are transferred directly to each partner’s account).

However, through the EmBRACE platform (<https://cbchb.eu/application/>), a single project application is submitted on behalf of the entire project, and any designated person may submit it.

- We are not able to provide information on the eligibility of specific cases or project ideas, but we note that eligible business cooperation activities within the SP should belong to NACE

codes representing the target economic sectors of the EmBRACE project, as listed in Chapter 3.7 “Eligible activities” of the Guidelines for MSEs as Final Recipients – 2nd Call.

Furthermore, Chapter 3 “Cooperation criteria” defines the acceptable forms of cooperation within Small Projects:

MARKET DEVELOPMENT: Finding a new market for an existing product — an already developed product, technology or service will be placed on a new market (the partner country's market or a third one), made possible through this cooperation. In this case, one of the FRs is the owner of the product, and the other provides access to the new market (in its own or third country). – This is **CONDITIONALLY ELIGIBLE** if entering the new market does not simultaneously reduce market presence in the FR's existing markets but increases total sales.

PRODUCT DEVELOPMENT: Introduction of a new product to an existing market — a new product, technology or service will be developed for a market where one of the FRs is already present. In this case, both FRs co-develop the product to be placed on one of their existing markets. In this type of cooperation, the product know-how represents the added value of cooperation. This is **ELIGIBLE** for funding under the EmBRACE project.

DIVERSIFICATION: Development of a new product for a new market — both the developed product, technology or service, and the newly accessed market are new. This represents the most advanced level of cooperation, which may include several modalities: one (or more) of the FRs develop the product, while the other FR(s) provide access to the new market, which may be in partner or third countries. This level of cooperation intensity may require the participation of more than two FRs. This is **THE MOST PREFERABLY ELIGIBLE** form for funding under the EmBRACE project.

If a new product/technology/service is developed, FRs are required to sign an agreement detailing the distribution of ownership over the service/product/technology.

- In Chapter 2.5 “Small Project size”, the minimum criterion concerning the budget distribution among partners is defined as:

“The minimum amount of the budget of each FR in the SP is 20% of the total EU project budget.”

Furthermore, in the Evaluation Manual, Chapter 2.5 “Content Evaluation” defines the number of points that can be awarded depending on the ratio of budget distribution among partners.

No	Evaluation question	Sub-questions for evaluation	Score	Section in SPA form
C4	Budget		0/4/8	

C4.1	To what extent is the small project budget proportionate to the project activities and results?	The project budget is proportionate to the proposed work plan, project outputs/deliverables and project's contribution to Programme indicators. if SP consist of two (2) FRs: - 0 points if one FR has 70 – 80 % and other FR has 20 – 30 % of the total EU contribution - 4 points if one FR has 60 – 70 % and other FR has 30 – 40 % of the total EU contribution - 8 points if both FRs are within 40 – 60 % of the total EU contribution if SP consist of three (3) FRs: - 0 points if one FR has more than 50 % and other FRs have 20 – 25 % of the total EU contribution - 4 points if one FR has 40 – 50 % and other FRs have 25 – 30 % of the total EU contribution - 8 points if all FRs are within 30 – 40 % of the total EU contribution	D and E with budget in Excell
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1.6. **Question:** We are preparing an application for the *EmBRACE – Support for Micro and Small Enterprises* call, aiming to expand our digital loyalty platform to Croatia and Montenegro.

While reviewing the project documentation on the official website (<https://cbchb.eu/cbc-cro-bih-mne/embrace/>), I noticed that some materials mention the criterion that the applicant “must employ at least one employee in its last closed business year in the Programme area.”

Could you please confirm whether this is:

1. A **mandatory eligibility condition** (i.e. applicants without registered employees are automatically ineligible), or
2. A **recommended criterion** that can be interpreted more flexibly for micro-enterprises working with external collaborators or subcontractors?

We are a micro-enterprise legally registered since 2022, actively operating and financially solvent, but currently without full-time employees (working through contracted collaborators). I would greatly appreciate your guidance on whether such a company structure is acceptable under the eligibility rules.

1.6. **Answer:** Thank you for your inquiry.

According to the Guidelines for Applicants one of the basic eligibility criteria states that:

“FRs must employ at least one employee in its last closed business year in the Programme area.”

This means that the Final Recipient (micro or small enterprise) must have had at least one registered employee during the year 2024. Therefore, applicants without employees in that period unfortunately do not meet the eligibility criteria and are not eligible to apply under this call.

1.7. **Question:** Kindly requesting clarification regarding the subject tender.

According to Regulation (EC) No. 178/2002, wine is considered a food product, and the guidelines for applicants also classify wine as a food product.

According to EU Regulation (EU) 1308/2013, wine is defined as an agricultural product within the common organization of the market for agricultural products.

QUESTION: Considering the list of eligible and ineligible activities and list of NACE codes, are activities related to wine production eligible under the subject call for proposals?

1.7. **Answer:** As stated in *Guidelines for MSEs as Final Recipients 2nd Call* (3.7. Eligible activities), eligible activities of SP business cooperation should belong to the following NACE codes² representing the target economic sectors of EmBRACE:

*(See: [NACE Rev. 2](#) Statistical classification of economic activities in the European Community, Eurostat, European Communities, 2008.)

C – Manufacturing (10 - 33);

D – Electricity, gas, steam and air conditioning supply (35);

E – Water supply; sewerage; waste management and remediation activities (36 - 39);

F – Construction (41 - 43);

G – Wholesale and retail trade, repair of motor vehicles and motorcycles – only one of the FRs can be granted to implement these types of activities within a single SP (45 - 47);

H – Transportation and storage (49 - 53);

I – Accommodation and food service activities – excluding extension and quality improvement of accommodation capacities, focusing on quality service development to be stipulated on call level (55 - 56);

J – Information and communication (58 - 63);

M – Professional, scientific and technical activities (69 - 75);

N – Administrative and support service activities, only the following activities:

- Employment activities (78),
- Travel agency, tour operator reservation service and related activities (79),

S – Security and investigation activities (80);

P – Education (85);

Q – Human health and social work activities (86 - 88);

R – Arts, entertainment and recreation, only the following activities:

- Creative, arts and entertainment activities (90),
- Libraries, archives, museums and other cultural activities (91),
- Sports activities and amusement and recreation activities (93).

All eligible activities of each FR should belong to any of the above-listed NACE codes. Activities outside these NACE codes are ineligible.

Please note that the review of documentation, as well as the eligibility of final recipients, partnerships etc., will be carried out and determined during the evaluation of the project application.

1.8. **Question:** By reviewing the map of the included municipalities, cities, and regions, we have noticed that the call covers the border area with the City of Visoko (Visoko is exactly on the border of the included regions – Kakanj, Zenica, Busovača – while Visoko itself is excluded). In view of the above, we are interested in applying for the project, but we would first like to confirm whether we are eligible to apply even though the City of Visoko is not included in the geographical area covered by the open call, considering that our company is headquartered in Visoko.

1.8. **Answer:** Thank you for your inquiry and interest in the 2nd Call for Entrepreneurs within the EmBRACE project.

The programme area includes 12 counties on the Croatian side, Brčko District and 109 municipalities on the side of Bosnia and Herzegovina, as well as 10 municipalities on the Montenegrin side.

Unfortunately, the City of Visoko is not part of the programme area, and therefore an applicant with its headquarters in the City of Visoko is not eligible for co-financing under the EmBRACE project.

Furthermore, in section 2.1 Partnership requirements of the Guidelines for MSEs as Final Recipients – 2nd Call, page 9, it is stated:

“Each SP Applicant should have its seat (headquarters) or its branch and should operate in the Programme area for at least one year prior to the date of Small Project application submission.”

1.9. Question: We have a question related to the ongoing 2nd EmBRACE call. Given that we are based in the Municipality of Ilidža (Canton of Sarajevo), can we apply for the mentioned invitation?

1.9. Answer:

Unfortunately, the municipality of Ilidža (Sarajevo Canton) is not within the eligible programming area of the EmBRACE project.

The programming area covers the border area between Croatia, Bosnia and Herzegovina and Montenegro and includes 12 counties on the Croatian side, the Brčko District of Bosnia and Herzegovina and 109 municipalities/cities on the Bosnian side and 12 municipalities on the Montenegrin side of the border.

The 109 municipalities/cities on the Bosnian side, in addition to the Brčko District, include:

BOSNIA AND HERZEGOVINA	Brčko District of Bosnia and Herzegovina and 109 municipalities: Bijeljina, Teočak, Ugljevik, Lopare, Tuzla, Lukavac, Čelić, Srebrenik, Petrovo, Gračanica, Doboj Istok, Gradačac, Pelagićevo, Donji Žabar, Orašje, Domaljevac-Šamac, Šamac, Modriča, Vukosavlje, Odžak, Brod, Srebrenica, Bratunac, Milići, Han-Pijesak, Vlasenica, Kladanj, Šekovići, Kalesija, Osmaci, Zvornik, Banovići, Živinice, Sapna, Prnjavor, Srbac, Laktaši, Čelinac, Kotor Varoš, Kneževo, Dobretići, Šipovo, Jajce, Jezero, Mrkonjić Grad, Banja Luka, Gradiška, Kozarska Dubica, Prijedor, Oštra Luka, Sanski Most, Ključ, Ribnik, Glamoč, Bosansko Grahovo, Drvar, Istočni Drvar, Petrovac, Bosanski Petrovac, Bosanska Krupa, Krupa na Uni, Novi Grad, Kostajnica, Bužim, Velika Kladuša, Cazin, Bihać, Doboj, Derventa, Prozor/Rama, Konjic, Nevesinje, Gacko, Bileća, Trebinje, Ravno, Ljubinje, Berkovići, Mostar, Jablanica, Kupres, Kupres (RS), Tomislavgrad, Posušje, Široki Brijeg, Čitluk, Stolac, Neum, Čapljina, Ljubuški, Grude, Livno, Istočni Mostar, Doboj Jug, Kakanj, Maglaj, Tešanj, Usora, Zavidovići, Zenica, Žepče, Bugojno, Busovača, Donji Vakuf, Gornji Vakuf-Uskoplje, Novi Travnik, Travnik, Vitez, Teslić.
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1.10. Question:

I would like to ask for clarification: is it possible for the applicant company, during the duration of the call, to register for an eligible activity in which it would implement the project (the company has been operating for more than one year in the program area), **before submitting the application to the call?**

Is it acceptable to register **after the call has been announced?**

1.10. Answer:

Eligible SP business cooperation activities should belong to NACE codes that represent the targeted economic sectors within the framework of the EmBRACE project, and are listed in *Chapter 3.7. Eligible activities* in the [Guidelines for MSEs as Final Recipients 2nd Call](#).

Also, in *Chapter 2.1. Partnership requirements* [Guidelines for MSEs as Final Recipients 2nd Call](#) page 9, it is stated: **Each SP Applicant should have its seat (headquarters) or its branch and should operate in the Programme area for at least one year prior to date of Small Project application submission.**

It is important that you are registered for the activity, and as an MSE that you have been operating for more than a year.

1.11. Question:

We are planning to purchase software licenses; are only permanent and annual licenses acceptable, or can the subject of the purchase also be three-year software licenses (from manufacturers who do not offer permanent ones) that are depreciated together with the IT equipment on which they will be installed?

1.11. Answer:

- Three-year licenses are also acceptable, but with the note that the cost of using them is acceptable only for the period of implementation of the Small Project. Also, the licenses should be entered in the List of Fixed Assets.
- Equipment is acceptable in its entirety, and is not depreciated.

1.12. Question:

Does each individual purchase of an annual license of commercial software have to be stated as an individual item in the project budget if it is delivered by download from the manufacturer (such as Adobe Acrobat and ChatGPT), or can they be consolidated in their offer by a company that will configure them and integrate them with other software, and upon delivery will attach the manufacturer's documentation from which the end user is visible?

1.12. Answer:

- If the entrepreneur purchases a license directly from the license provider (supplier), who charges him for it (and issues an invoice), then these must be listed individually in the Small Project Budget. If he would subcontract a supplier who does configuration and integration and would also purchase licenses "through him", then this should be requested in the Request for Proposal (or Purchase Order, depending on the procurement procedure; with the license cost stated), stated in the supplier's offer (i.e. Contracted) but also described as part of the project budget item relating to the configuration and integration service, and of course there must be evidence (be visible) that the user has paid this cost (and recorded in assets).

1.13. Question:

If all 3 partners in the project have the same programs and IT equipment, can the same supplier's offer be submitted with an additional specification that specifies the separation by partner, or must each partner submit its own offer?

1.13. Answer:

- Each partner submits Bids for the costs incurred in its Project, which means that each partner should also carry out its "own" (that is, separate) procurement procedure, which must be transparent and without potential conflicts of interest. Also, Shared costs are not allowed within the EmBRACE project.
- Perhaps it would be good to list the costs of IT equipment and licenses (software) as separate items in the Budget if you are not sure that they will be procured from the same supplier (in one procurement procedure), in this way the problems of potential separation of procurement would be avoided if the items were procured separately.

1.14. Question:

Please tell me which counties belong to the border area?

1.14. Answer:

In the paragraph 2.2.2. of [Guidelines for MSEs as Final Recipients 2nd Call](#) you can find the list of eligible counties within the Programme area:

2.2.2. Geographic eligibility rules The Programme area is relatively large and heterogeneous in geographical terms and other socioeconomic factors that result in certain distinctions in various micro-regions (e.g., north and south of Bosnia and Herzegovina or Croatia), whose areas of interest are different, but the Programme has ensured all key areas are present in the intervention logic in order to meet all expectations. The Programme area covers the territory of border areas between Croatia, Bosnia and Herzegovina, and Montenegro. Calculated in numbers, the Programme area covers 12 counties on the Croatian side, Brčko District of Bosnia and Herzegovina and 109 municipalities/cities on the side of Bosnia and Herzegovina and 12 municipalities on the side of the Montenegrin border.

PROGRAMME AREA	
CROATIA	12 counties: Brod-Posavina County, Vukovar-Srijem County, Karlovac County, Sisak-Moslavina County, Lika-Senj County, Zadar County, Šibenik-Knin County, Split-Dalmatia County, Dubrovnik-Neretva County, Bjelovar-Bilogora County, Požega-Slavonia County, Zagreb County.
BOSNIA AND HERZEGOVINA	Brčko District of Bosnia and Herzegovina and 109 municipalities: Bijeljina, Teočak, Ugljevik, Lopare, Tuzla, Lukavac, Čelić, Srebrenik, Petrovo, Gračanica, Doboj Istok, Gradačac, Pelagićevo, Donji Žabar, Orašje, Domaljevac-Šamac, Šamac, Modriča, Vukosavlje, Odžak, Brod, Srebrenica, Bratunac, Milići, Han-Pijesak, Vlasenica, Kladanj, Šekovići, Kalesija, Osmaci, Zvornik, Banovići, Žvinice, Sapna, Prnjavor, Srbac, Laktaši, Čelinac, Kotor Varoš, Kneževo, Dobretići, Šipovo, Jajce, Jezero, Mrkonjić Grad, Banja Luka, Gradiška, Kozarska Dubica, Prijedor, Oštra Luka, Sanski Most, Ključ, Ribnik, Glamoč, Bosansko Grahovo, Drvar, Istočni Drvar, Petrovac, Bosanski Petrovac, Bosanska Krupa, Krupa na Uni, Novi Grad, Kostajnica, Bužim, Velika Kladuša, Cazin, Bihać, Doboj, Derвента, Prozor/Rama, Konjic, Nevesinje, Gacko, Bileća, Trebinje, Ravno, Ljubinje, Berkovići, Mostar, Jablanica, Kupres, Kupres (RS), Tomislavgrad, Posušje, Široki Brijeg, Čitluk, Stolac, Neum, Čapljina, Ljubuški, Grude, Livno, Istočni Mostar, Doboj Jug, Kakanj, Maglaj, Tešanj, Usora, Zavidovići, Zenica, Žepče, Bugojno, Busovača, Donji Vakuf, Gornji Vakuf-Uskoplje, Novi Travnik, Travnik, Vitez, Teslić.
MONTENEGRO	12 municipalities: Herceg Novi, Kotor, Tivat, Budva, Bar, Ulcinj, Cetinje, Danilovgrad, Nikšić, Podgorica, Tuzi, Zeta.

1.15. Question:

Can the costs of external services include the costs of online advertising and marketing services on the market?

Can the costs of external services relate to project management and project visibility services, and up to what percentage or absolute amount?

1.15. Answer:

As stipulated in the [Guidelines for Applicants](#) in Chapter 3.8. Eligibility of costs by final recipients (pp. 19-24), under point 3.8.5. External expertise and services (pp. 22-23) are accepted:

"Costs related to publicity, promotion and communication: development of IT systems and websites, modifications and updates; promotion, communication, publicity or information, participation in promotional events (e.g. registration fees);

The category "external expertise and services" includes costs paid on the basis of contracts or written agreements and against invoices or requests for reimbursement to external experts and service providers, subcontracted to carry out specific tasks or activities directly linked to the implementation of the SP. In order to verify the costs during the SP application, the Financial Advisors (FAs) will have to submit to the SPA:

- *For costs between EUR 2,500.00 and EUR 20,000.00 (excluding VAT), the FAs must submit 1 pro-forma (non-binding) offer.*
- *For costs over EUR 20,000.00 (excluding VAT), the FAs must submit 3 pro-forma (non-binding) offers."*

1. Can the costs of external services include the costs of online advertising and marketing services in the market? - In relation to the above, the cost of online advertising and marketing services related to project activities (promotion of new products/services/technologies/processes resulting from project activities) is eligible. Online advertising and marketing services related to "regular business" are not eligible.

2. Can the costs of external services relate to project management services and visibility of the project and up to what amount in % or absolute amount? –

Yes. As stated in point 3.8.5. External expertise and services (page 23) include: *"Services related to the administration and management of the SP: collection of expenditure documents, maintenance of files, public procurement activities at the level of financial statements."*

The Programme decided to use different Simplified Cost Options (SCOs) for specific cost categories to ensure an easy reporting process, swift money flow, and proper validation of expenditures:

Cost category	Form of reimbursement
Staff costs	20 % flat rate of direct costs (real costs)
Office and administrative costs	15 % flat rate of staff costs
Travel and accommodation costs	15% flat rate of staff costs
External expertise and services costs	Real costs
Equipment costs	Real costs
Costs of infrastructure and works	Real costs

External expertise and services costs, and/or Equipment costs and/or Costs of infrastructure and works have to be used in the SP budget. External expertise and services costs, and/or Equipment costs and/or Costs of infrastructure and works cost categories have to be used for the purpose of SP activity implementation!

Please read the [Guidelines for Applicants](#) carefully to familiarize yourself with all the eligibility conditions of the EmBRACE Call - applicants, activities and costs, as well as the types of costs and the form of reimbursement.

1.16. Question:

If our total project costs exceed EUR 235,294, what should be entered in the table?

The total estimated cost of the equipment is EUR 250,000.

Should we include in the Excel table only the part of the equipment cost (approx. EUR 185,150) that corresponds to the calculation ensuring an EU contribution of EUR 200,000 (so that the total in the last row equals EUR 200,000), while attaching offers showing higher amounts?

I am referring to the budget at the level of 3 partners, including project preparation costs of EUR 1,500 per partner.

It is clear that the difference in cost will be covered by the partners.

1.16. Answer:

Thank you for your inquiry.

When completing the Project Budget Table, please ensure that the total amount of EU funds at the overall project level **does not exceed EUR 200,000**, as otherwise the project would not be eligible for co-financing (see the *exclusion criterion 3.8* in Annex II).

If the total amount of EU co-financing, based on the submitted offers and including staff, administration, travel, and preparation costs, exceeds EUR 200,000, it is necessary to adjust (reduce) the relevant budget items in the categories of equipment/external services/infrastructure (depending on the type of costs applied for) so that the total EU co-financing remains within the maximum eligible limit of EUR 200,000. However, it is important to note that any cost difference must be covered by the Final Recipient from its own funds.

The offers should be submitted for the actual amounts received. Please note that the offers must not be older than 30 days from the date of project application submission, and that each partner must provide offers corresponding to their part of the project budget.

1.17. Question:

It is stated in the Guidelines for Applicants:

G – Wholesale and retail trade; repair of motor vehicles and motorcycles – only one of the Final Recipients (FRs) can be granted to implement these types of activities within a single Small Project (SP) (45–47).

What exactly does this mean?

If one partner from Bosnia and Herzegovina operates in the manufacturing industry and purchases laboratory equipment related to its production, which will result in a new service for laboratory testing and new products based on it, we have envisaged that two partners from Croatia and Montenegro would offer and sell this new service and these new products.

According to the mentioned definition, does this mean that one of the partners would be excluded from selling the above?

1.17. Answer:

Regarding your inquiry on the interpretation of the restriction stated in the *Guidelines for MSEs as Final Recipients*, in the part referring to activities under Section G – *Wholesale and retail trade; repair of motor vehicles and motorcycles (NACE 45–47)*, we would like to clarify the following:

The provision stating that **“only one of the Final Recipients (FRs) can be granted to implement these types of activities within a single Small Project (SP)”** means that within a single project, only one partner may have a registered and project-funded activity which, according to the national classification, falls under NACE Section G (45–47).

The purpose of this provision is to limit the number of partners whose activities are purely commercial in nature, as the primary goal of the Programme is to support the development of new products, services, and innovations within the Programme area, rather than to finance trading activities.

1.18. Question:

We kindly ask for your clarification on the following questions:

1. Are private adult education institutions eligible applicants and partners?
According to Commission Regulation (EU) No 651/2014, Annex I, *“an enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form.”*
Following this definition, we consider that adult education institutions which, according to the number of employees and financial thresholds, fall within the category of micro or small enterprises, could be eligible applicants or partners.
Please confirm.
2. Can applicants that are affiliated companies of an enterprise which has already received a grant under the 1st EmBRACE call apply under this call?

1.18. Answer:

Thank you for your inquiry. Please find below the answers to your questions:

1. Private adult education institutions may be eligible as applicants or partners if they:

- carry out an economic activity,
- fall within the category of micro or small enterprises according to Regulation (EU) No 651/2014,
- operate within the programme area and meet the conditions set out in the *Guidelines for MSEs as Final Recipients (2nd Call)*.

2. Final Recipients who received support under the 1st EmBRACE Call are not eligible under the 2nd Call. However, an affiliated company of such beneficiaries **may be eligible as an applicant in the 2nd Call, provided that it:**

- has not itself received support under the 1st Call,
- proposes new and distinct activities and costs,
- maintains the status of a micro or small enterprise and fulfils all other conditions defined in the *Guidelines for MSEs as Final Recipients (2nd Call)*, and
- there is no overlap with the previously funded project.

1.19. Question:

Regarding the scoring, item C4.1. It states:
if the SP consists of three (3) FRs:

- 0 points if one FR has more than 50% and the other FRs have 20–25% of the total EU contribution
- 4 points if one FR has 40–50% and the other FRs have 25–30% of the total EU contribution
- 8 points if all FRs are within 30–40% of the total EU contribution

Does this distribution mean that each partner must have at least 20% share in the entire project? If it were less, would the project be considered ineligible?

1.19. Answer:

In the *Guidelines for MSEs as Final Recipients*, Chapter 2.5 *Small Project size*, the minimum share of the budget that each Final Recipient must have is defined as follows:

“The minimum amount of the budget of each FR in the SP is 20% of the total EU project budget.”

This means that the project would not be eligible if one of the Final Recipients has a budget smaller than 20% of the total EU contribution.

Regarding the scoring, projects with a more balanced distribution of the budget are awarded a higher number of points, as specified in criterion C4.1.

1.20. Question:**1. Interpretation of the “equity positive” condition**

The documentation states that the Final Recipient must have positive equity in the last closed financial year.

Please confirm whether this condition refers exclusively to the *equity* (capital) as shown in the balance sheet, or whether it is based solely on the *financial result* (profit/loss).

2. Possibility of VAT exemption for the FR from Montenegro

The partner from Montenegro indicated that, in certain EU-funded projects, there is a possibility of VAT exemption.

We kindly request clarification on the following:

- Is there a possibility of VAT exemption under the EmBRACE call?
- Does HAMAG-BICRO or the relevant programme authority issue any document/decision that the Montenegrin partner could use to apply for VAT exemption in their country, given that this is an EU-funded project?

3. Procurement and offers – common suppliers

If all three partners plan to purchase the same equipment or software from the same supplier:

- Is it permitted to use a single offer that clearly separates the items per partner,
- Or does each partner have to conduct a completely separate procurement procedure and obtain an individual offer, even if the supplier is the same?

(We are aware that shared costs are not allowed, but we would like to confirm the correct procedure in the case of the same supplier.)

4. Positive equity and negative financial result

If a company has a negative financial result in the last financial year, but its equity remains positive – is such a Final Recipient still eligible?

If a company has a positive financial result in the last financial year, but its equity remains negative because it is a young company still developing its business – is such a Final Recipient still eligible?

1.20. Answer:

Thank you for your inquiry. Please find below the answers to your questions:

1. Interpretation of the “equity positive” condition

The condition “FR’s equity is positive for the last closed business year for seat and/or branch in the Programme area” refers to *capital and reserves*.

2. Possibility of VAT exemption for the FR from Montenegro

VAT must be included in the final offer price, except in the case of business entities that, according to the law, are not within the VAT system (which must be stated).

According to the *GfA*, page 24:

3.9. Value Added Tax (VAT)

Value Added Tax (VAT) is an eligible expenditure and must be planned in the SP budget.

In line with Article 64 of the CPR, VAT shall not be supported by the Programme, except:

- For operations with a total cost below EUR 5,000,000.00 (including VAT);
- For operations with a total cost of at least EUR 5,000,000.00 (including VAT) where VAT is non-recoverable under national legislation;
- For SPFs and investments made by FRs in the context of SPFs.

In those cases, VAT is eligible if:

- It is established that it is borne by the FR;
- It is clearly identified in the invoice.

HAMAG-BICRO does not issue any type of document for VAT exemption.

3. Procurement and offers – common suppliers

Each partner must conduct a completely separate procurement procedure and obtain an individual offer, even if the offers are requested from the same supplier.

4. Positive equity and negative financial result

If a company has a negative financial result in the last financial year, but its capital and reserves remain positive, the Final Recipient is eligible (provided that all other eligibility criteria are met).

A partner whose capital and reserves are negative is *not eligible*.

1.21. Question:

I am contacting you on behalf of a consortium of small and medium-sized enterprises from Croatia, Bosnia and Herzegovina, and Montenegro regarding the open call.

Q1: In the list of eligible areas, Zagreb County is mentioned. Does this include the City of Zagreb?

Q2: The call is for small and medium-sized enterprises. For our AI project, it is necessary to include providers who do not fall into this category. Is this a disqualifying criterion? Note: the provider is a partner in the consortium.

Q3: If the answer to Q2 is yes – is it possible to use a provider's branch office as a partner?

1.21. Answer:

Thank you for your inquiry. Please find below the answers to your questions.

A1: The City of Zagreb is not an eligible Programme area, whereas Zagreb County is.

A2: The EmBRACE call is targeted at micro and small enterprises. Medium-sized enterprises are **not eligible** within the EmBRACE project.

In the document *Guidelines for MSEs as Final Recipients*, Section 2.2 *Eligibility of partners*, it is stated:

*"According to 651/2014/EU Regulation, Annex 1, micro and small enterprises may all be recipients of the EmBRACE project.

Classification of enterprises:

- Micro enterprise (≤ 10 employees and annual turnover $\leq$ EUR 2 million, or balance sheet $\leq$ EUR 2 million);
- Small enterprise (10–49 employees and annual turnover $>$ EUR 2 million $\leq$ EUR 10 million or balance sheet $>$ EUR 2 million – $\leq$ EUR 10 million)."

Additionally, the basic eligibility criteria include the following requirements:

"Basic eligibility criteria for FRs are as follows (examined by company register extracts/company annual financial reports):

- *FR (and/or its owner company holding more than 50% of ownership rights over the FR, and/or its linked enterprises through a natural person, cumulatively) must be a micro or small enterprise (MSE);*
- *FRs must have at least one closed business year for the seat and/or branch in the Programme area;*
- *FRs must employ at least one employee in their last closed business year in the Programme area;*
- *FR's equity must be positive for the last closed business year for the seat and/or branch in the Programme area."*

Final Recipients (FRs) who do not meet these eligibility criteria are **not eligible** under the EmBRACE project.

A3: Each applicant (Final Recipient in the project) must have its seat or branch registered in the Programme area:

"Each SP Applicant should have its seat (headquarters) or its branch and should operate in the Programme area for at least one year prior to the date of Small Project application submission."

1.22. Question:

When reviewing the legal status, it was explained that a Small enterprise is one that has between 10 and 49 employees and an annual turnover above two million or up to and including ten million euros.

Is a Small enterprise also considered to be a company that has more than 10 employees but has an annual turnover below 2 million euros?

1.22. Answer:

Thank you for your inquiry.

Eligible users within the EmBRACE project must fall into the category of micro and small enterprises. Potential Final Recipients must be autonomous enterprises and must not exceed the upper limits (49 employees, annual turnover or balance sheet total greater than 10 million EUR).

In other words, if your enterprise does not exceed these thresholds, it is an eligible applicant for the second EmBRACE call (provided that all other eligibility criteria are also met).

It is very important to emphasize that this classification includes all your partner or linked enterprises, if any.

1.23. Question:

We are reaching out with a few questions regarding the application for the second call through the Embrace project. We need the answers in order to properly plan our activities and budget:

1. Is it allowed to procure goods (physical products) from China? Without going into the project initiative itself, these products are part of the overall ecosystem we are developing, and we would like to know whether we can purchase these products from China through suppliers (planned procurement), i.e., whether there are any restrictions on goods originating from China (if they meet all requirements, standards, certificates, etc.). There is a significant price difference between European and Chinese suppliers, which is important for our budget planning.
2. Is it realistic to plan for the project to start on May 1st, 2026? It was stated that after December 15th, 2025 (the submission deadline), around three months are needed for the evaluation and the entire procedure. Therefore, can the activities that follow (contract signing and similar steps) be completed by April 30th, 2026 (assuming the project partners are efficient)?

1.23. Answer:

Thank you for your inquiry. Please find the answers to your questions below:

1. There are no restrictions within the EmBRACE project regarding the procurement of goods from China.
When conducting procurement, it is important to follow the procedure for requesting offers depending on the value of the procurement (1 offer for procurement amounts between EUR 2,500 and EUR 20,000, and 3 offers for amounts starting from EUR 20,000).
It is also important to note that equipment purchased before the date of submission of the project proposal is not eligible. Please refer to the *Guidelines for MSEs as Final Recipients*, section **3.8 Eligibility of costs of Final Recipients**:
Eligible costs must fulfil all the following criteria as listed below:
(b) they incurred during the eligibility period of the SP, i.e. starting from the date when the SP application is officially submitted until the end of the SP's implementation, with the exception of preparation costs.

For more information on procurement procedures, please refer to the *Procurement Guidelines*.

2. Regarding the start of project implementation, it is realistic for the project to begin on 1 May 2026. We would like to note that the contract signing for the second call is planned as a formal award ceremony, to which all final recipients will be invited, and the date of the ceremony will also be the official contract signing date. However, during the pre-contracting phase, the EmBRACE project team will, if necessary, redefine the project start date together with the final recipients.

During the preparation of the project application, it is most important to keep in mind that the project must be completed no later than:

3.1. Project duration

The duration of the Small Projects is 6–12 months and must be completed by the end of August 2027 at the latest.

1.24. Question:

I am reaching out to kindly ask how we can find partners for the EmBRACE cross-border cooperation public call.

I would kindly ask you, if possible, to let me know how we can find a partner who would be interested in participating in the project.

1.24. Answer:

Thank you for your interest in participating in the 2nd call for small projects within the EmBRACE project.

You can find partners on the EmBRACE platform: <https://cbchb.eu/cbc-cro-bih-mne/embrace/partners/>

If you wish to browse entrepreneurs who have already submitted their cooperation offers, you do not need to register on the EmBRACE platform. However, if you want to submit your own information on the platform, then registration is required.

It is not mandatory to look for partners through the platform—you may apply to the project with an already established partnership.

1.25. Question:

For the purpose of proper interpretation of the call conditions for the “Enhancing MSEs Sustainable Growth and Competitiveness (EmBRACE)” project, we kindly request additional clarification regarding the eligibility of the applicant.

Namely, during 2024, the competent inspection authority conducted a supervision and issued a report and misdemeanor orders concerning an alleged obligation to register commercial activity under the

Trade Act. The company has filed an appeal, as according to the decision of the competent ministry from 2021, the company is not required to register the trade for the relevant activity, which is the basis of the submitted appeal. The procedure is still ongoing, and the company continues to operate without any restrictions in its business operations.

With regard to the proposed project, the company would participate as a partner in the development of an innovative solution, with all project activities taking place exclusively within the field of education and the arts, entertainment, and recreation sector.

For accurate interpretation of the call criteria, we kindly request your confirmation whether the aforementioned company can be considered an eligible partner under this call.

1.25. Answer:

Thank you for your inquiry and your interest in participating in the 2nd call for small projects under the EmBRACE programme.

Regarding your question about the eligibility of the company from Montenegro, we provide the following clarification:

The eligibility of applicants and partners is defined in the *Guidelines for MSEs as Final Recipients* for the 2nd call. A company can be considered eligible if it meets all mandatory criteria, including, but not limited to:

- classification as a micro or small enterprise according to EU Regulation 651/2014;
- a registered office or branch in the programme area for at least one closed financial year prior to submitting the application;
- at least one employee in the last closed financial year in the programme area;
- positive capital for the last closed financial year;
- compliance with all other conditions set out in the call documentation.

Regarding the eligibility of the registered activity, it must correspond to one of the eligible NACE activities (see p. 18 of the *Guidelines for MSEs as Final Recipients*) and the detailed list of NACE codes (from p. 61).

We also note that the GfA document (p. 17) specifies cases in which final recipients cannot receive funds, for example, if they are in bankruptcy, liquidation, in the process of business closure, or if their operations are under court administration. Since, according to your description, this concerns an inspection procedure that does not restrict the company's operations and does not constitute any of the aforementioned cases, such a procedure does not affect the company's eligibility under this call.

Based on the information provided and assuming that all mandatory eligibility criteria from the GfA are met, the company can be considered a potentially eligible partner for this call.

The final eligibility check is conducted during the administrative and eligibility check after the project application is submitted.

1.26. Question:

First of all, we would like to thank you for all the information you shared during the EmBRACE workshop.

There has been an unverified claim in some parts of the public that funds under the second call have already been pre-allocated to specific entities.

Believing this is not the case, we would like to submit three innovative projects that would significantly improve the productivity and technological processes in our manufacturing facility:

We kindly ask you to confirm whether the call is open on equal terms for all applicants and whether applications for the types of projects listed above are considered eligible under this call.

1.26. Answer:

EmBRACE (Enhancing MSEs sustainaBle gRowth And CompEtitiveness) is a pilot project that supports cooperation among micro and small enterprises (MSEs) in the cross-border area of Croatia – Bosnia and Herzegovina – Montenegro under the Interreg VI-A IPA Croatia – Bosnia and Herzegovina – Montenegro Programme 2021–2027, aiming to improve the competitiveness of MSEs.

Calls for entrepreneurs within the EmBRACE project are open to all applicants who meet the eligibility criteria; there are no pre-defined beneficiaries or funds reserved for specific entities. Each project proposal is assessed solely based on formal and professional criteria through administrative checks, eligibility verification, and evaluation of the quality of the proposed project (see the [Evaluation Manual](#) and corresponding Annexes).

Each partner within a Small Project can be considered eligible if it meets all mandatory criteria, including, but not limited to:

- Classification as a micro or small enterprise according to EU Regulation 651/2014;
- Registered seat or branch in the Programme area for at least one closed business year prior to submission of the application;
- At least one employee in the last closed business year in the Programme area;
- Positive equity in the last closed business year;
- Compliance with all other conditions set out in the call documentation.

Regarding the eligibility of activities, the enterprise's activity must correspond to one of the eligible NACE codes (see page 18 of the *Guidelines for MSEs as Final Recipients*) and the detailed list of NACE codes (from page 61). Please note that each Final Recipient can only participate in one Small Project.

The documentation for the second call is available at: <https://cbchb.eu/cbc-cro-bih-mne/embrace/project-documentation/>

- Detailed information on the second call can be found in the *Guidelines for MSEs as Final Recipients*;
- Frequently Asked Questions and answers from the first call are available in the [2nd call Q&A](#);
- Examples of contracted Small Projects from the 1st call are available at: <https://cbchb.eu/cbc-cro-bih-mne/embrace/small-projects/>.

The second call for entrepreneurs is open from 1 October to 15 December 2025.

If you meet the eligibility criteria outlined above, we encourage you to seize this opportunity, form an eligible partnership, and submit one of your innovative projects under the EmBRACE second call.

1.27. Question:

I am writing to request clarification regarding the interpretation of *de minimis* limits in relation to the eligibility criteria set out in the Guidelines for MSEs as Final Recipients, specifically Section 2.6 "Operation state aid," which states: "The maximum amount of aid granted to a single recipient should not exceed 300,000.00 EUR over a period of three fiscal years."

Our question concerns whether certain types of support that our company has received should be counted toward this *de minimis* ceiling.

Our company operates as an entity of the innovation infrastructure. In 2023 and 2024, our organization received financial contributions amounting to approximately EUR 1 million under the Law on Incentive Measures for the Development of Research and Innovation. Under this national legal framework, companies are allowed to redirect funds that would otherwise be paid as corporate income tax toward supporting innovative organizations, including our company. These contributions were therefore not provided as conventional grants or subsidies, but as tax-based incentive measures defined specifically for fostering research, innovation, and ecosystem development.

To ensure full compliance, we kindly ask for your official confirmation or guidance on whether this type of national-level innovation support should be included when assessing the three-year EUR 300,000 *de minimis* threshold for the current project call.

Thank you very much in advance for your assistance. We are ready to provide any additional documentation or clarifications if needed.

1.27. Answer:

Within the framework of the EmBRACE 2nd Call, all applicants are required, in the **De minimis declaration form**, which is an integral part of the FR Statement and Small Project Application, to report all de minimis aid received during the previous three fiscal years. This requirement stems from

Regulation (EU) 2023/2831 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid, which defines the thresholds and rules for de minimis aid and requires record-keeping and written notification to the recipient regarding the de minimis character of the aid.

The SPFB is not competent to provide legal interpretation or to determine whether a specific national support or tax measure constitutes de minimis aid or another form of state aid. Therefore, applicants/recipients should contact the body that granted the support to obtain an official confirmation regarding the nature of the received aid.

It is important to note that de minimis aid cannot be cumulated with any other state aid.

1.28. Question:

We would like to participate in the second call under the EmBRACE programme, but we have one important concern.

Our company, is classified as a micro enterprise according to national accounting criteria. We have 25 employees and a total revenue of EUR 1.2 million for the year 2024.

In the document *Guidelines for MSEs as Final Recipients – 2nd Call “EmBRACE”*, under section 2.2. Eligibility of partners – 2.2.1. Legal status, enterprise classification is defined according to different criteria. Because of this, we are not certain whether our company can be considered eligible under the rules of the call.

Our question is:

Are we allowed to apply for this call, and could the above-mentioned classification be a factor that automatically excludes us from the selection process?

1.28. Answer:

Thank you for your inquiry and your interest in the 2nd Call within the EmBRACE SPF project.

Within the EmBRACE project, eligible applicants are micro and small enterprises classified according to the definition from Regulation 651/2014/EU, Annex 1:

- **Micro enterprise** (≤ 10 employees and annual turnover $\leq$ EUR 2 million, or balance sheet $\leq$ EUR 2 million);
- **Small enterprise** (10–49 employees and annual turnover $>$ EUR 2 million and $\leq$ EUR 10 million, or balance sheet $>$ EUR 2 million and $\leq$ EUR 10 million).

Potential final recipients must be autonomous enterprises and must not exceed the upper thresholds (49 employees, annual turnover or total balance sheet greater than EUR 10 million).

In other words, if your enterprise does not exceed these thresholds, it is an eligible applicant for the second EmBRACE call (provided that all other eligibility criteria are also met).

It is very important to emphasize that this classification includes all your partner or linked enterprises, if any.

1.29. Question:

Does it affect the points who among the partners bears, for example, 40% and who 60% of the costs, or does the lead partner from Croatia have to bear a larger/smaller share?

1.29. Answer:

The allocation of points among partners is not conditioned by the country of the Final recipient. A higher score is awarded to a project that has a more balanced budget distribution among partners.

The only budget-related requirement is defined in the *Guidelines for Applicants*, Chapter 2.5, *Small Project size*: 'The minimum amount of the budget of each FR in the SP is 20% of the total EU project budget.'

1.30. Question:

Can a company based in Zagreb be a partner in the application process for Embrace?

In the guidelines, under section 2.2.2 Geographic eligibility rules, Zagreb County is listed in the PROGRAMME AREA table for CROATIA.

Could you please clarify whether this means that a company registered with the Commercial Court in Zagreb and headquartered in the City of Zagreb can be a project partner (provided that it meets all other eligibility criteria of the call)?"

1.30. Answer:

According to the Guidelines for MSEs as Final Recipients – 2nd Call "EmBRACE" (Enhancing MSEs sustainaBle gRowth And CompEtitiveness), Interreg VI-A IPA Croatia – Bosnia and Herzegovina – Montenegro 2021–2027 Programme, each small project applicant must have its registered office or branch and must have been operating in the Programme area for at least one year prior to the submission date of the small project application.

In Chapter 2.2.2 Geographic eligibility rules, it is specified that Zagreb County is one of the eligible Programme areas, while the City of Zagreb is not an eligible area.